

***APPRAISAL REPORT
BUSINESS VALUATION***

***HELBACH'S COFFEE HOUSE
MIDDLETON LOCATION***

As of AUGUST 31, 2020

FOR

**Brent Eisberner
Levine Eisberner, LLC
2802 Coho Street
Suite 201
Madison, Wisconsin 53713**

BY

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PROFESSIONAL QUALIFICATIONS - JEFFREY D. WHITE, ASA

January 30, 2021

Brent Eisberner

Levine Eisberner, LLC

2802 Coho Street

Suite 201

Madison, Wisconsin 53713

RE: Business Valuation
Helbach's Coffee House / Middleton, Wisconsin Location

At your request, we have completed a valuation of the **Market Value** of the business enterprise of **Helbach's Coffee House / Middleton, Wisconsin location** as of **August 31, 2020**. The valuation will be **used for potential litigation purposes**. In addition, we take no responsibility in updating this report for events and circumstances occurring after the date of the valuation. The attached report is an integral part of this valuation, as it provides the basis for our opinion. This letter should be read only in conjunction with it.

The valuation is predicated upon the financial statements for the three years ending December 31, 2019 and interim financials as August 31, 2020. We have not done a separate review or audit for this valuation but have accepted the financial statements as previously presented.

The definition of **market value** is taken from the Appraisal Terminology Handbook, as published by Ballinger Publishing.

Market Value - *The most probable price in terms of money which a property should bring in the competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus.*

Another definition, having the same meaning, is as follows:

Market Value is *"The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property." (Rev. Rul. 59-60, Sec. 2.02, 1959-1 C.B. 237).*

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. *Buyer and seller are typically motivated.*
2. *Both parties are well informed and well advised, and each acting in what they consider their own best interest.*
3. *A reasonable time is allowed for exposure in the open market.*
4. *Payment is made in cash or its equivalent.*
5. *Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.*
6. *The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.*

The term "business enterprise," as employed in this report, refers to the combination of all tangible and intangible assets of an operating business.

Market Value assumes a hypothetical situation with many built-in conditions and assumptions. Some of those assumptions are incorporated into the definitions above. Other assumptions and conditions are discussed or are implied or expressed in the attached Statement of General Assumptions and Limiting Conditions. **It should be clear that whenever any of those conditions do not apply or when special "terms" are negotiated, then the price can vary from the estimated *Market Value*.**

In conjunction with this valuation, there are many factors that must be considered in the valuation of a business enterprise. Among them are the pattern of historical performance and earnings, the Company's competitive market position, experience and quality of management, marketability and others. Some of those factors are outlined in ***Revenue Ruling 59-60*** as the pertinent factors to consider in the valuation of closely held businesses or securities in those businesses. The Internal Revenue Service issued Revenue Ruling 59-60 (1959-1 C.B. 237) to indicate its viewpoint on the valuation of closely held securities. This ruling, as amended by Rev. Rul. 65-192 & 65-193 (1965-2 C.B. 259 & 370) has been accepted by the courts and the appraisal community as a basic guideline to the process. While the ruling was originally promulgated for estate and gift tax purposes, it has become a guideline for other purposes as well.

At a minimum, we have considered the eight pertinent factors to the extent that we feel it is relevant for the purposes at hand. The eight factors which we have considered are:

1. *The nature of the business and the history of the enterprise from its inception.*
2. *The economic outlook in general and the condition and outlook of the specific industry*
3. *The value of the tangible assets as represented on the books of the Company and financial condition of the business.*
4. *The potential earnings capacity of the business and its ability to pay a fair return on an investment.*
5. *The actual dividends or the ability of the business to pay dividends.*
6. *The presence of goodwill and other intangible assets in the overall enterprise value.*
7. *The size of the Company or size of the block of stock or security being valued. Transactions or sales of similar securities, if available.*
8. *Market data of similar businesses including actual sales and offerings. Relevant financial and sale data of securities in publicly traded comparable companies.*

It should be noted that the above definition does not cover all possible values of a business. For example, the assumed buyer is a person who comes to the business and who buys it on the basis of its own financial strength. Some buyers, however, may have other motives for purchasing a business, such as the elimination of competition or the combination of two operations, that will provide a greater profit than each business could provide separately.

Under these circumstances, there is information available to the buyer which is not available to the seller. Although these buyers may be willing to pay a particular premium to buy a business, an appraiser generally is not privy to this information unless specifically doing the valuation for the purpose of such a sale. We know of no such sale being imminent, and thus do not further consider this particular situation in forming our opinion of value.

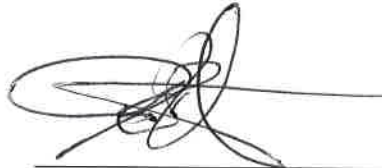
For Helbach's Coffee House / Middleton, Wisconsin location, we have considered the following approaches to value: cost approach, income approach and market data approach. The cost approach attempts to estimate the cost of duplicating all the significant elements of a business. The income approach determines the value of an entity that arises from its presumed ability to produce a profit or return on investment for its owner. The market data approach shows that the value of an entity tends to be determined by the cost of acquiring an equally desirable substitute. Our valuation was made in accordance with standard procedures associated with each approach used.

Based upon this valuation, it is our opinion that the *Market Value* of the equity business enterprise of **Helbach's Coffee House / Middleton, Wisconsin Location** as of August 31, 2020 has a value of **\$800,000.**

This report has been made for valuation purposes and the information contained herein, while sufficient for those purposes, is not guaranteed as to the accuracy of detail. We have gathered data from sources thought to be relevant and reliable, and we have compiled this report using the data as a base and employing our experience and judgment.

To the best of our knowledge and belief, the statements contained in this report are correct, subject to the assumptions and limiting conditions set forth.

Sincerely,



Jeffrey D. White, ASA
Valuation Specialists, LLC
Full Service Appraisal Firm
Business / Real Estate / Equipment /
Litigation

Date Signed: January 30, 2021

CERTIFICATE OF VALUATION CONSULTANT

I certify that, to the best of my knowledge and belief:

The Statements of fact contained in this report are true and correct.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analyses, opinions and conclusions have been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

This report has been made in conformity with, and is subject to, the requirements of the Principles of Appraisal Practice and the Code of Ethics of the American Society of Appraisers, Institute of Business Appraisers and the Appraisal Institute.

I have made a personal inspection of the property that is the subject of this report.

No persons, other than the undersigned or those acknowledged in this report, prepared the analysis, values or conclusions set forth in this report.



Jeffrey D. White, ASA

Valuation Specialists, LLC

Full Service Appraisal Firm

Business / Real Estate / Equipment / Litigation

Dated: January 30, 2021

BACKGROUND BUSINESS INFORMATION

DEFINITION OF MARKET VALUE:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. **buyer and seller are typically motivated**
2. **both parties are well informed or well advised, and each acting in what he considers his own best interest**
3. **a reasonable time is allowed for exposure in the open market**
4. **payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and**
5. **the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.**

SOURCE: a) Office of the Comptroller of the Currency under 12CFR. Part 34 Subpart C- Appraisals 34.42 Definitions (F).
 b) Tenth Addition of The Appraisal of Real Estate, as published in 1992 by the Appraisal Institute

SCOPE OF APPRAISAL:

The scope of the appraisal included independent investigations and analysis including an inspection of the property. In the appraiser's opinion, the research sources used were sufficient for the discovery of comparable market data and the sales recited and analyzed are sufficient to provide a reliable value estimate for the property being appraised. However, because of the diversity of the information discovery process, there may be other data which may be more comparable, more recent or more suitable to the subject property which was not discovered and which was, therefore, not included in the analysis.

The client and intended user of this report is **Attorney Brent Eisberner and the Owners of Helbach's Coffee House.**

BACKGROUND BUSINESS INFO

THE APPRAISAL PROCESS:

An appraisal is defined as "A definite, written, detailed opinion of a qualified appraiser as to the market value of property." The appraisal is designed to assist in decision making regarding a particular property.

In professional appraisals, three approaches to value are considered and usually applied: (1) Cost Approach, (2) Market Data Approach, (3) Income Approach. All approaches apply data that are derived from the market.

In the Cost Approach, the component parts of the subject property are analyzed and an estimate of what it would cost in the market to replace them with property of like utility and value is made. Land is broken into use classes, each evaluated on its value in the market. The value of the assets are valued based on current market values. Depreciation is defined as loss in value from any cause and may be physical wear, functional and/or economic obsolescence.

The Market Data Approach involves market analysis of properties that have been sold. Each property is compared with the subject property (the property being appraised) on numerous factors; some being time of sale, size, location, quality and improvements. Since no two properties are alike, each factor is given a dollar value in comparison to the subject. This is the concept of "comparable sales," which is based on the economic principle of substitution and states: "One will not pay more for an item than for another item of equal utility."

The Income Approach usually involves the capitalization of net income. The appraiser outlines annual income under typical use and management using market income and expenses. The capitalization rate is derived from the market, using actual data from similar properties and similar investment criteria.

The final process is correlation of the approaches and selection of the approach or approaches that most accurately represent market value.

VALUATION PROCEDURE

In any business, there are usually three broad categories of assets which may exist. The categories are:

- 1. Working Capital***
- 2. Fixed Assets***
- 3. Intangible Assets***

Working Capital is the difference between current assets and current liabilities. The value of the current assets less liabilities is usually the amount shown on the financial statements. The reliability of the financial statements is increased when they have been audited. The valuation consultant does not perform an audit of the financial statements, but instead relies on the statements which are provided by the client. If it is necessary to adjust in any of the current accounts, those adjustments will be discussed in the detailed valuation section of this report.

Fixed Assets include those "hard" assets in the business. Examples of fixed assets are land, land improvements, leasehold improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, etc.

Intangible Assets often have significant value in an operating business. Intangible assets include goodwill, going concern value, customer lists, patents, trademarks, trade secrets, employee organization, franchises, trade name, leasehold interest, etc. The value of intangible assets is related to the economic benefit which they provide to the owner. If no income is expected to be derived from intangibles, then there can be no significant value. Prudent purchasers will make investments based upon their analysis of the expected return on the investment. Therefore, it would be unreasonable to expect a prospective purchaser to pay anything extra for intangibles if no income is to be anticipated.

The valuation began upon receipt of certain financial information relating to the financial performance of the Company. Specifically, we analyzed the financial statements, covering year ending December 31, 2019 and interim financials as of August 31, 2020. The information obtained from the company was combined with information contained in the public domain and in our files. Following the data collection phase of the assignment, time was spent analyzing the data. Numerous comparisons were made resulting in the selection of certain approaches to value. The indications of value were weighted and a final conclusion was reached.

PURPOSE

The purpose of this appraisal is to determine the **market value** of the company “***Helbach’s Coffee House / Middleton, Wisconsin Location***” as of August 31, 2020. The **market value** indications as derived from this appraisal will be used for **potential litigation purposes**.

INFORMATION USED IN VALUATION

Many sources of information were used when preparing this valuation.

The sources of information used and considered (if applicable) for this valuation included the following:

1. financial statement / tax returns for fiscal years ended December 31, 2019 and interim financials as of August 31, 2020
2. depreciation schedule and property records supplied to us by management
3. schedule of owners' compensation
4. copies of equipment and property records
5. trade associations and industry sources
6. industry information
7. Duff & Phelps 2019 Industry Cost of Capital
8. Duff & Phelps 2019 Guide to Cost of Capital
9. internet sources
10. IBIS Industry Report
11. Pratt's Stat's comparable sales data
12. Business Reference Guide
13. Discussions with owners

VALUATION APPROACHES - GENERAL

The purpose and function of the valuation and the definition was given in the Valuation Consultant's Report. The valuation procedures and techniques must be consistent with the purpose of the valuation and the definition of market value. The discussion in this section is intended to provide an overview of the three basic valuation approaches available that may be used in the valuation process. While all of these methods are not used in every case, consideration has been given to those methods which are deemed to be appropriate for this company in arriving at our opinion of value.

The methods discussed in this section are presented to demonstrate methods which may be used to value the total **business enterprise**, or 100 percent of a business.

In the valuation of any property or business, there are generally three approaches to value which may be examined as indicators of value. These three approaches are:

1. ***The Cost Approach***
2. ***The Income Approach***
3. ***The Market Approach***

The **Cost Approach** is an approach in which the value is derived by estimating the cost to reconstruct the property or business. From this replacement cost, an appropriate deduction is made for physical deterioration and/or obsolescence. The Cost Approach is particularly appropriate when the property is new or where no comparable properties exist in the marketplace. In valuing businesses, the Cost Approach will be most meaningful when the value of the business consists primarily of tangible assets. The Cost Approach is generally not useful when valuing intangible assets.

The **Income Approach** is a valuation process in which the dollar income expected to be generated by an asset is converted into a value estimate. Variations of the Income Approach are widely applied in valuing income-producing properties and businesses.

In the **Market Approach**, value is estimated using prices paid in actual comparable market transactions or current listings. Sales of similar properties or businesses are analyzed to derive a meaningful common denominator. This common denominator is then used as an indication of the most probable sales price of the property or business being valued.

In each of these approaches, various methods and variations may be employed and considered. Discussion of some of the primary variations and techniques will be found in the more detailed discussion of the specific methods of valuation in this report.

VALUATION SUMMARY

FINAL ESTIMATE OF VALUE:

The choice of valuation approaches used in a specific situation depends upon different factors. More specifically, the choice is determined by the type of business being valued, the reason for the valuation and the availability of necessary information.

To determine *market value* for the company, we analyzed all three approaches to value. The income approach typically receives the most emphasis because it best represents an amount a typical investor would invest for the return of earnings that the company should support. In the market approach, several methods have been considered for this company. While these methods required adjustments and subjective estimates, many are used within the general business marketplace. The market approach used has been considered as a test / check against the income approaches to value. In the cost approach, the valuation consultant considered each asset category separately as a contributor to the overall business enterprise value.

Based on these approaches, current economic conditions, industry conditions and the present characteristics of the Helbach's Coffee House / Middleton, Wisconsin Location, I believe that a reasonable estimate of market value for the business enterprise to be \$800,000 as of August 31, 2020.

The choice of valuation approaches used in this situation depends upon a number of different factors. More specifically, the choice is determined by the type of business assets being valued, the reason for the valuation and the availability of necessary information.

CONCLUDING REMARKS

Throughout this valuation, we have endeavored to analyze the subject property and financial data in the same manner as a prospective purchaser would. The analysis is subject to assumptions and conditions specified in this report and in the attached Statement of General Assumptions and Limiting Conditions. The reasoning and procedures employed have been set forth in the preceding valuation report. The analysis and conclusions are supported to a greater degree in the working papers.

The valuation is based upon our estimate of realizing a fair return on the investment in assets which presently exist in the business. The valuation analysis included discussions with management concerning the history and nature of the business; a study of the economic status and prospects of the business; a review and analysis of historical financial information and other pertinent records and documents furnished to us. The financial statements and other records and documents were accepted, without investigation, as properly representing the company, its operations and condition.

***STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING
CONDITIONS***

The service provided by **Valuation Specialists, LLC** has been performed in accordance with recognized professional valuation standards and the Code of Ethics of the American Society of Appraisers (ASA). Our compensation is not contingent upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. All files, working papers or documents developed during the assignment shall be our property. We will retain this data for at least five years.

Opinions are subjective and can be greatly altered by a change in underlying assumptions or conditions. The valuation consultant's opinion does not constitute advice for any specific action. The giving of advice would connotate a presumption of applicability and even fairness of assumptions and conditions in a specific instance. The valuation consultant has not made such presumptions, but instead offers an opinion of value under the hypothetical assumptions and conditions which are expressed or implied. Since the valuation consultant offers no specific advice, he assumes no responsibility or liability for subsequent actions which may be taken by the client. In accepting this document, the client agrees that he/she understands and accepts this provision. The valuation consultant's opinion is subject, further, to the following assumptions and conditions:

1. The property or business has been valued assuming responsible ownership and good management unless otherwise set forth in the report. Any assumed liabilities are shown in the report, and it is assumed that no contingent liabilities exist unless otherwise noted.
2. The valuation consultant has not considered the impact of unknown legal contingencies, taxes or costs payable on a sale, or other matters outside the scope of this valuation engagement. The title of all real estate and improvements are assumed to be good and in marketable condition.
3. No right is given to publish all or part of the valuation report or attachments without the valuation consultant's consent. No right to expert testimony is included unless agreed in advance.
4. The valuation consultant has no present interest or contemplated interest in the property being valued. Neither his employment nor his fee is contingent upon the value opinion given.

***STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING
CONDITIONS - continued***

5. The valuation consultant has gathered information from sources thought to be reliable. While the data cannot be guaranteed, the valuation consultant certifies that to the best of his knowledge and belief, the statements, information, source data, and materials contained in this valuation and working papers are correct.
6. Data supporting the valuation consultant's opinion is more fully documented in the valuation consultant's working papers. Papers located in the confidential file at the valuation consultant's office and are available for reference as necessary.
7. The valuation is valid only for the purpose stated herein. Any other use or reliance by the client or third parties is invalid.
8. This valuation opinion is given for the benefit of the client. The opinion shall not be revealed to unauthorized third parties without the consent of the valuation consultant. In that case, the entire opinion shall be revealed including all attachments and this Statement of General Assumptions and Limiting Conditions. The valuation consultant shall assume no liability for any actions, which third parties may take, based upon their interpretation of this opinion.
9. The opinion given in this engagement assumes that the business will continue to be operated in its present form. In this context, we have valued the business as a closely held business giving due consideration to the risks and limitations as appropriate.
10. Synergies relating to a sale, a leveraged restructuring, or a public offering have not been considered. If material changes occur in ownership, financing or public offering opportunity; the impact upon value could be significant and the assumptions inherent in this valuation could be invalid.
11. The value estimate is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss in value. The valuation consultant, however, is not qualified to detect potentially hazardous materials which may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
12. This appraisal is valid only for the appraisal date or dates specified herein and only for the appraisal purpose or purposes specified herein. The client warrants that any reports, analysis, or other documents prepared for it by the appraiser will be used only in compliance with all applicable laws and regulations.